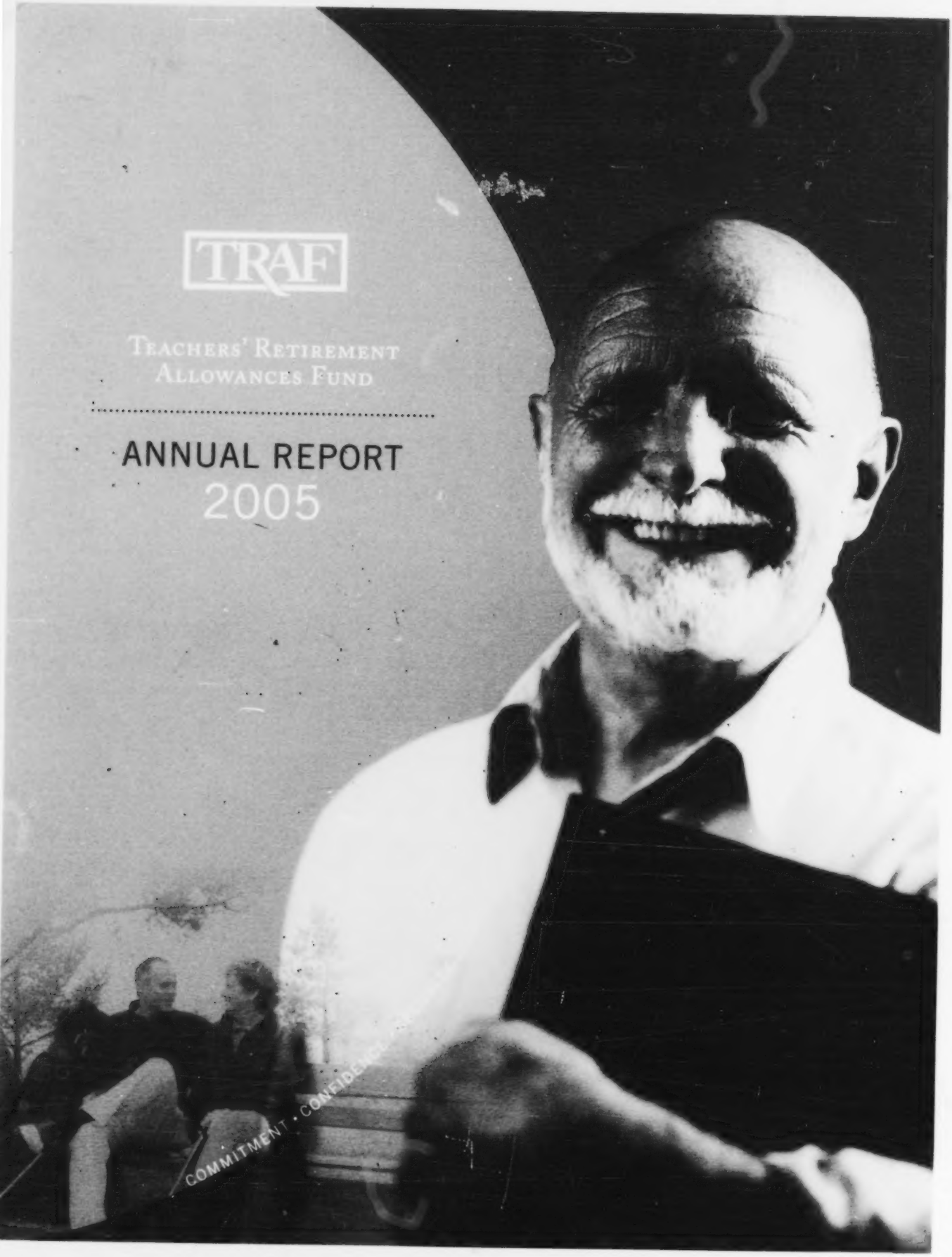
TRAF
TEACHERS' RETIREMENT
ALLOWANCES FUND
ANNUAL REPORT
2005
COMMITMENT

We commit ourselves to ad[illegible] teachers' p[illegible]n plan in a responsible and caring man[illegible]er t[illegible]nsure a secu[illegible]ion fund that will provide our membe[illegible] have[illegible]en promised and the information needed to[illegible]ake educated retire[illegible]nt decisions.

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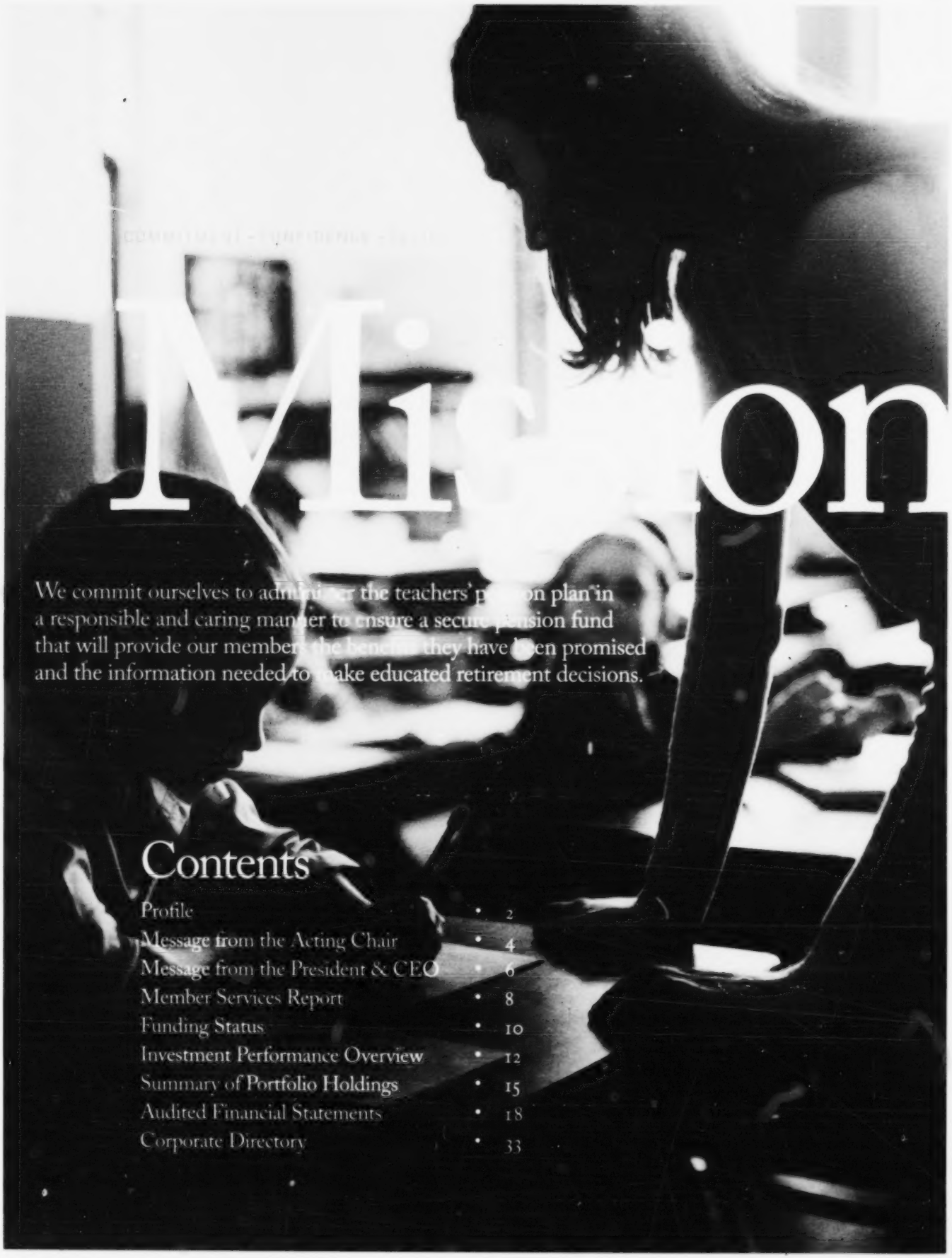

Mission

We commit ourselves to administer the teachers' pension plan in a responsible and caring manner to ensure a secure pension fund that will provide our members the benefits they have been promised and the information needed to make educated retirement decisions.

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106-07130/

Administration with Vision

Our **commitment** to the administration of your pension plan involves thousands of everyday details, each one integrally necessary to carry out our legislated responsibilities.

One of these daily responsibilities is to ensure our members have the knowledge necessary to move forward with **confidence** when it comes to making pension-related decisions.

We also look for ways to improve our services for tomorrow. In fact, if you look forward to the President's message, you'll see some specifics noted. We believe that improving today while planning for tomorrow, are fundamental steps to our ultimate goal and responsibility – your **security.**

The Teachers' Retirement Allowances Fund
inister the defined ben it pension
public school teachers. TRAF also manages th
support the plan. These assets totaled over

THE BOARD

TRAF is governed by a Board of Directors which oversees its operations. The Board acts as trustee of the Fund and is ultimately responsible for the proper administration of The Teachers' Pensions Act.

The Board is comprised of seven members – three nominated by The Manitoba Teachers' Society (MTS) and four from the general public. These representatives are appointed by the Lieutenant Governor in Council. There are currently two vacancies on the Board.

IN TEE

TRAF's I oversees and directs nt activities. The Chair o d an MTS representative f Board sit on this committee with the puty Minister of Finance for the Province of Manitoba.

All recommendations of the Investment Committee must be approved by the full Board prior to implementation.

AUDIT MMITTEE

The Au Committee ensures that TRAF fulfilling its responsibilities with respect to the financial reporting proc . Two of TRAF's Board members and an external accounting professional sit on this committee.

Profile

The Teachers' Retirement Allowances Fund (TRAF) employs a staff of 32, who administer the defined benefit pension plan for Manitoba's public school teachers. TRAF also manages the employee contributions that support the plan. These assets totaled over $2.4 billion as of December 31, 2005.

THE BOARD

TRAF is governed by a Board of Directors which oversees its operations. The Board acts as trustee of the Fund and is ultimately responsible for the proper administration of The Teachers' Pensions Act.

The Board is comprised of seven members – three nominated by The Manitoba Teachers' Society (MTS) and four from the general public. These representatives are appointed by the Lieutenant Governor in Council. There are currently two vacancies on the Board.

INVESTMENT COMMITTEE

TRAF's Investment Committee oversees and directs TRAF's investment activities. The Chair of the Board and an MTS representative from the Board sit on this committee with the Deputy Minister of Finance for the Province of Manitoba.

All recommendations of the Investment Committee must be approved by the full Board prior to implementation.

AUDIT COMMITTEE

The Audit Committee ensures that TRAF is fulfilling its responsibilities with respect to the financial reporting process. Two of TRAF's Board members and an external accounting professional sit on this committee.

INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS

		2005	
Net assets available for benefits, start of year		**$ 2,189**	$ 2,010
Add:	Teacher contributions	**58**	52
	Province's share of pensions	**113**	106
	Investment return	**318**	234
	Other contributions	**1**	2
Deduct:	Pension payments	**(212)**	(197)
	Other payments	**(14)**	(15)
	Administration	**(4)**	(3)
Net assets available for benefits, end of year		**$ 2,449**	$ 2,189

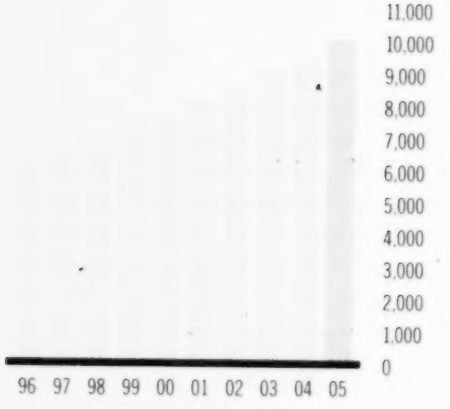
BOARD OF DIRECTORS (L - R)
Glen Anderson, Pat Isaak - *Acting Chair*, Ray Desrochers, Terry Clifford, Henry Shyka

INVESTMENT RETURN

	2005	
Annual	**14.8**	12.1
Composite Benchmark	**13.3**	10.3
Four-year average	**9.2**	6.1
Four-year benchmark	**8.0**	4.3

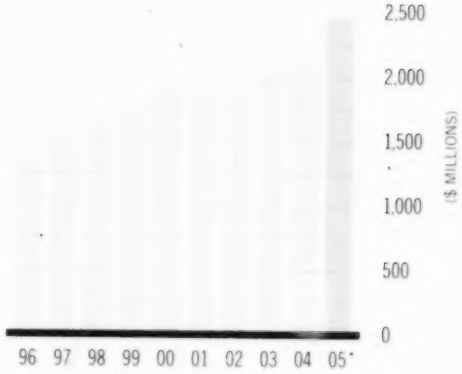
NUMBER OF PENSIONS IN PAY

AS OF DECEMBER 31



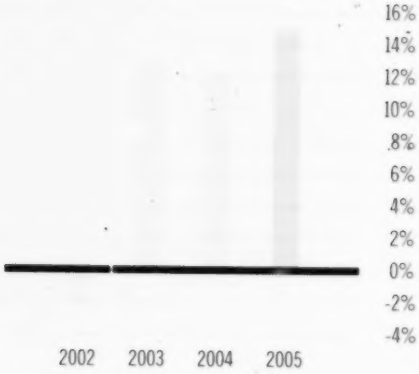
NET ASSETS AVAILABLE FOR BENEFITS

AS OF DECEMBER 31



INVESTMENT RETURN

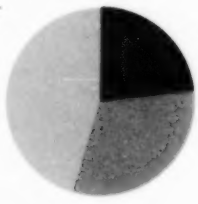
AS OF DECEMBER 31



The four-year average is 9.2%

MEMBERSHIP PROFILE

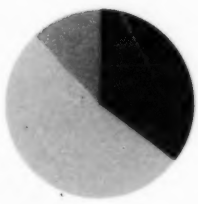
AS OF DECEMBER 31, 2005



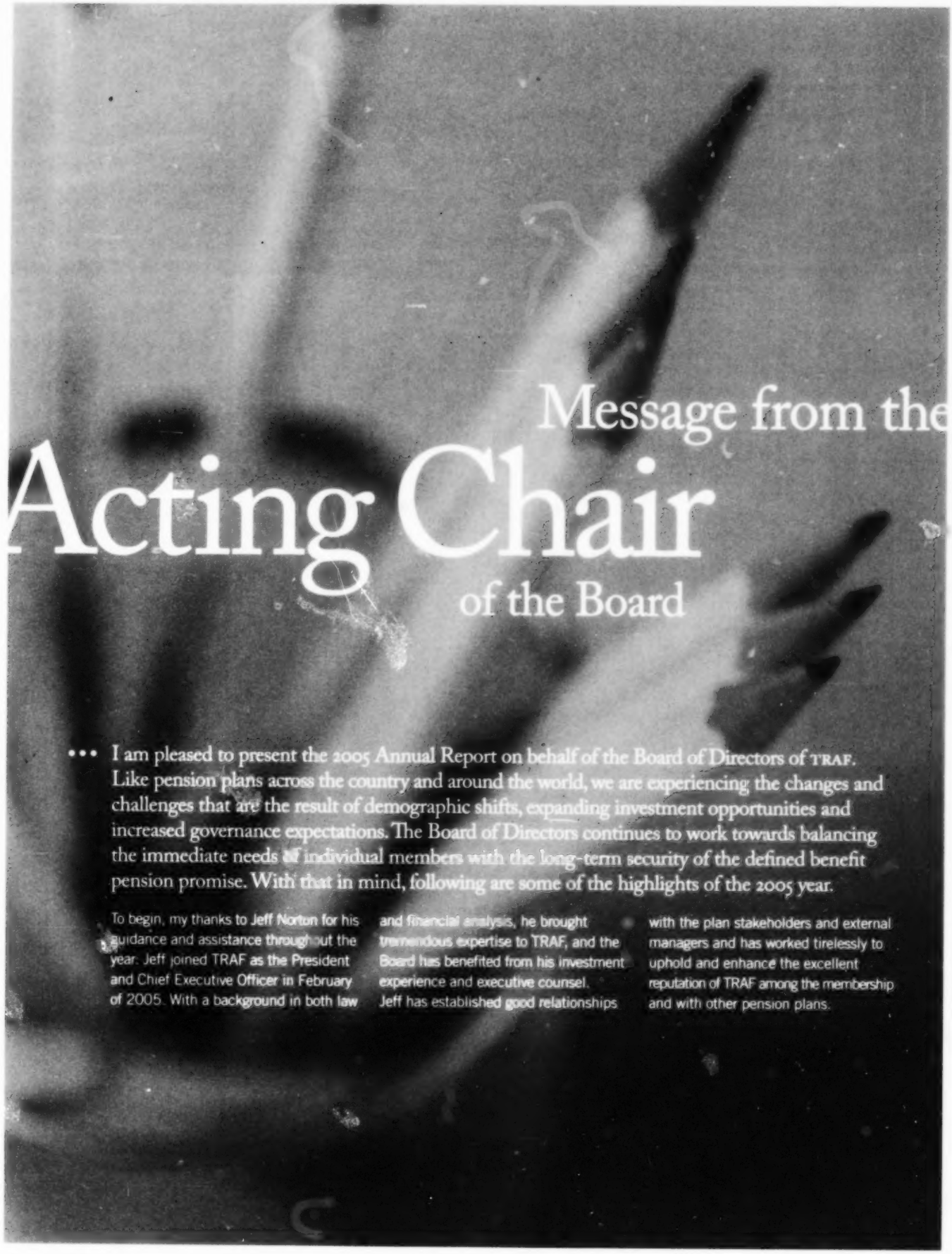
Deferred Members	7,417
Retired Members	10,134
Active Members	14,689

ASSET MIX

AS OF DECEMBER 31, 2005



Fixed Income	35.1%
Equity	52.7%
Real Estate	12.2%



Message from the Acting Chair of the Board

I am pleased to present the 2005 Annual Report on behalf of the Board of Directors of TRAF. Like pension plans across the country and around the world, we are experiencing the changes and challenges that are the result of demographic shifts, expanding investment opportunities and increased governance expectations. The Board of Directors continues to work towards balancing the immediate needs of individual members with the long-term security of the defined benefit pension promise. With that in mind, following are some of the highlights of the 2005 year.

To begin, my thanks to Jeff Norton for his guidance and assistance throughout the year. Jeff joined TRAF as the President and Chief Executive Officer in February of 2005. With a background in both law and financial analysis, he brought tremendous expertise to TRAF, and the Board has benefited from his investment experience and executive counsel. Jeff has established good relationships with the plan stakeholders and external managers and has worked tirelessly to uphold and enhance the excellent reputation of TRAF among the membership and with other pension plans.

LEGISLATIVE CHANGE

In June of 2005, the Manitoba government passed Bill 48, which amended The Teachers' Pensions Act to increase the contribution rate that active teachers pay into TRAF. The amendment was significant in that it was the first contribution increase since 1980. The last actuarial valuation of the fund, done in 2004, showed that the fund was in a deficit position. The increased contributions will improve the position of the fund as we approach the next valuation, scheduled to be done in 2007.

GOVERNANCE

The TRAF Board continues to strive to build its governance capacity in both short and long-term decision making. While immediate concerns demand immediate attention, we are very conscious of the value of long-term strategic planning and the importance of studying current pension trends while anticipating future challenges and opportunities. To that end, our processes will continue to evolve to ensure a high level of effectiveness in governance decision making.

In 2004, the Board established an Audit Committee to monitor the financial reporting and annual audit processes. The Audit Committee has been a valuable addition to the Board's governance practices. We appreciate the work of the committee Chair, Ray Desrochers; Board member, Henry Shyka; and the independent member of the committee, David Asselstine; as well as the advice and assistance provided by TRAF staff.

INVESTMENT POLICY

For the second consecutive year, TRAF's investment portfolio posted first quartile returns. It is the responsibility of the Board to develop and monitor an investment policy that maximizes the return potential of the fund while minimizing the risks of potential losses. We continue to be very well-served by our excellent relationship with Greystone Managed Investments, our primary investment manager. Greystone has consistently added value to the TRAF portfolio and has provided timely and constructive advice to the Investment Committee and Board.

Over the years, the Board has, with the advice and guidance of staff and our external investment managers, diversified the investment portfolio to take advantage of evolving trends and opportunities. Most significantly in 2005, the elimination of the rule that restricted foreign investments has created opportunities that did not previously exist. Additionally, TRAF continues to build its private equity portfolio and look at other alternative asset classes that will enhance our risk-adjusted returns.

In a world where demographics, economics and politics are in a constant state of change, institutional investing has become more and more complex. We believe that TRAF is well-positioned to face the challenges that lie before us and to take advantage of opportunities to build on our past success.

MEMBER TRENDS

The number of retirements remains at a high level. In 2005, TRAF processed a record number of 679 new pensions. The average length of service and average age at retirement has remained fairly stable over the past five-year period, but we expect that the number of retirements will remain at a high level as the baby boomers leave the profession.

The number of pension estimates processed by Member Services has increased, as has the number of appointments that members are making with TRAF to discuss and plan for their retirement. There are just under 2,000 active teachers currently at retirement age, and over 2,700 additional members will become eligible to retire within the next five years.

The Board acknowledges the outstanding work done by staff who consistently provide professional assistance to individual members as well as to groups of members through pre-retirement seminars.

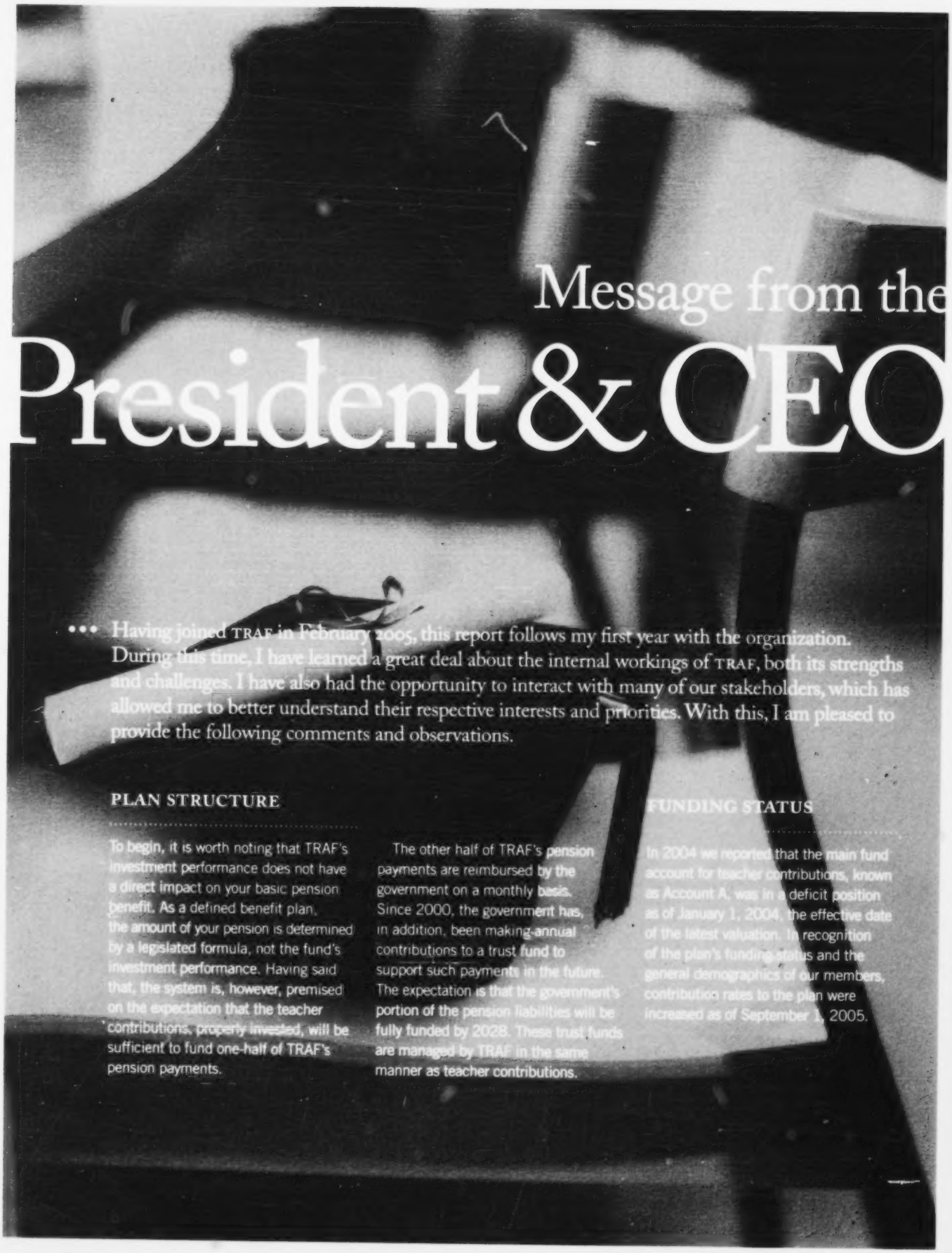
ORGANIZATIONAL CHANGES

Dewar McKinnon, TRAF's Vice President of Finance and Operations retired on March 31, 2006. For over 13 years, the Board, Investment Committee, Audit Committee and members have benefited from Dewar's leadership and commitment. Dewar's level of knowledge and professionalism have earned him the highest respect from the staff, Board and stakeholders of the plan. We will miss his guidance and wish him much health and happiness in his retirement.

In closing, I would like to recognize the dedication of the Board members and staff of TRAF throughout the past year. We remain committed to achieving the high level of governance and service standards that have come to be expected by our members and look forward to the challenges and opportunities that lie ahead.

Pat Isaak

Pat Isaak
ACTING CHAIR OF THE BOARD



Message from the President & CEO

Having joined TRAF in February 2005, this report follows my first year with the organization. During this time, I have learned a great deal about the internal workings of TRAF, both its strengths and challenges. I have also had the opportunity to interact with many of our stakeholders, which has allowed me to better understand their respective interests and priorities. With this, I am pleased to provide the following comments and observations.

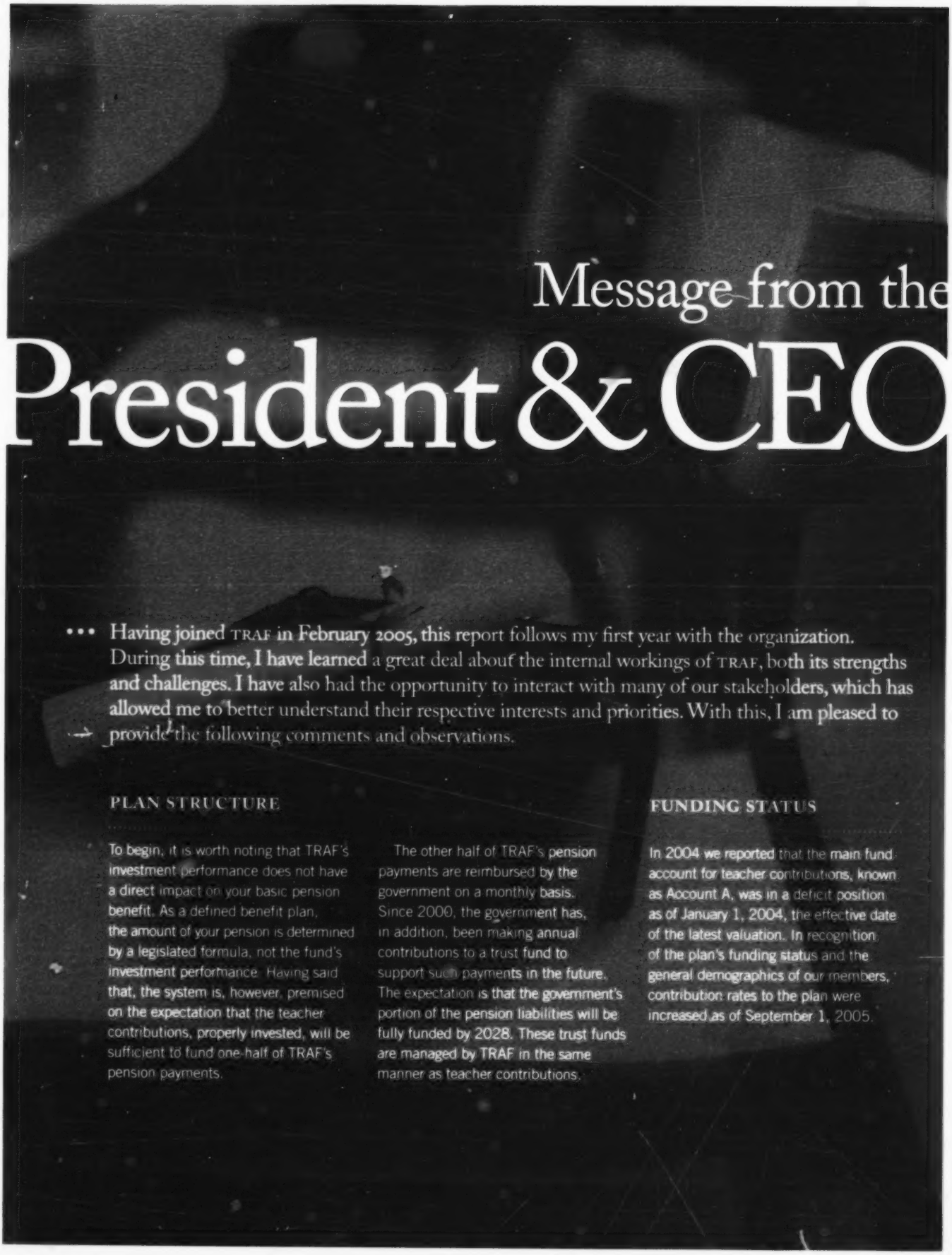
PLAN STRUCTURE

To begin, it is worth noting that TRAF's investment performance does not have a direct impact on your basic pension benefit. As a defined benefit plan, the amount of your pension is determined by a legislated formula, not the fund's investment performance. Having said that, the system is, however, premised on the expectation that the teacher contributions, properly invested, will be sufficient to fund one-half of TRAF's pension payments.

The other half of TRAF's pension payments are reimbursed by the government on a monthly basis. Since 2000, the government has, in addition, been making annual contributions to a trust fund to support such payments in the future. The expectation is that the government's portion of the pension liabilities will be fully funded by 2028. These trust funds are managed by TRAF in the same manner as teacher contributions.

FUNDING STATUS

In 2004 we reported that the main fund account for teacher contributions, known as Account A, was in a deficit position as of January 1, 2004, the effective date of the latest valuation. In recognition of the plan's funding status and the general demographics of our members, contribution rates to the plan were increased as of September 1, 2005.



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Active members now contribute 6.8% of salary to the maximum pensionable earnings level ($41,100 in 2005), and 8.4% on excess amounts. In addition, investment returns in 2004 and 2005 exceeded expectations. Based on these developments, we believe that the fund is currently in a positive funding position based on the assumptions used in the last valuation.

INVESTMENT RETURNS

In 2005, the fund returned 14.8%. As in 2004, the 2005 performance both exceeded our benchmark return (which was 13.3%) and placed us in the top quartile when measured against other comparable plans. While this short-term performance is great, it is more important to consider the longer term, both historically and into the future.

Looking back, we are proud to note that over a ten-year period ending with 2005, the fund has achieved each of its performance objectives. Annualized returns for this period were 9.4%, which exceeded the fund's average expected returns. Looking forward, we believe that the fund is reasonably diversified, which is critical to maximizing risk-adjusted returns. Over the course of 2006, we will continue to look at additional ways to improve on the portfolio design and diversification.

COST OF LIVING ADJUSTMENT

The above commentary on funding status covers the basic benefit. The other material part of the plan relates to the annual cost of living adjustment (COLA) applied to the basic pensions. As with the basic benefit, this adjustment is driven by a formula set out in the governing legislation. Unlike basic benefits, the COLA is impacted in part by the fund's performance on its fixed income and mortgage investments. While this performance has exceeded the assumed rate over recent years, the COLAs have been low relative to the maximum amount, which is the CPI rate in Canada over the previous calendar year.

In 2005, the COLA granted was only 19% of CPI. This is due in part to the amount of plan contributions dedicated to the COLA and also to the changing demographics of our members. Presently, there are fewer than two active members for each retired member. When the COLA provisions were introduced in 1977, there were approximately seven active members for each one in retirement. While the loss in purchasing power of TRAF pensions is a major issue for our members, TRAF, as administrator of the plan, has no ability to change the present formula. Any such changes require an act of the legislature. We are, however, aware that efforts are being made on your behalf to address this issue.

OPERATIONAL INITIATIVES

I will now turn to some specific operational initiatives.

One initiative relates to our web-based services. We recognize that much more can be achieved, and have embarked on a project to enhance the available on-line services. The intention is not to replace the human contact for those who prefer it, but to supplement it as a means to improve our services for those who find the internet more convenient.

Another initiative involves reviewing and updating many of TRAF's policies and procedures. The scope of this project is wide, covering everything from human resource matters to investment services. As such, it will take multiple years to complete; however, the result should be improvements in both the efficiency and consistency of our operations.

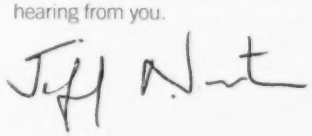
The last major operational project involves a comprehensive review of our risk management efforts. While we are confident that the traditional areas of risk are adequately addressed, we have commenced a broader, system-wide process of identifying and understanding all risks. Once this initial phase is complete, we will be in a position to consider and adopt additional risk management measures as appropriate.

PERSONNEL MATTERS

On March 31, 2006, Dewar McKinnon, our Vice President of Finance and Operations retired after over 13 years of dedicated service at TRAF. Dewar was universally respected by our staff as a key and caring member of the senior management team. More specifically, he acted as a mentor to those within his department. To me, he served as a continual lifeline as I progressed through my first year with the organization. I rarely did anything without checking with him. Thanks Dewar – enjoy your retirement.

I would also like to expressly thank our Board members for their support and guidance over the past year. The dedication to their fiduciary responsibilities is absolute. Despite the wide range of difficult issues faced in 2005, their decision making process was and continues to be thorough, balanced and consistent. As members, you are well-served.

In closing, I encourage you to read the balance of this report. We have tried to include all of the relevant information in an understandable format. However, we realize that with over 30,000 members, some questions will no doubt go unanswered. For those, we ask that you please call us directly. Our office number is 949-0048 (or 1-800-782-0714 toll free), and our general e-mail address is info@traf.mb.ca. We would enjoy hearing from you.



Jeff Norton
PRESIDENT & CEO

Member Services Report

2005 marked the 80th Anniversary of the Teachers' Retirement Allowances Fund. As TRAF exists today, a surface inventory of services would include: collecting and managing member contributions; providing information to members; and ultimately paying pensions.

Our commitment to our members lies in the details behind each of these services.

In addition to investing and managing your pension contributions, our team works together to ensure your pension needs are met during, and well after your teaching career ends.

At TRAF, we have seen a continual increase in service requests over the last several years, and have compiled the following statistics for 2005.

GENERAL INFORMATION REQUESTS

	2005	
Estimate Calculations	**6,457**	6,309
Appointments	**1,524**	1,317
Seminars		
Winnipeg	**19**	17
Rural	**10**	16

TOTAL NEW RETIREMENTS

	2005			
	MALE	**FEMALE**		
Active	**218**	**311**	200	309
Deferred	**54**	**96**	66	83

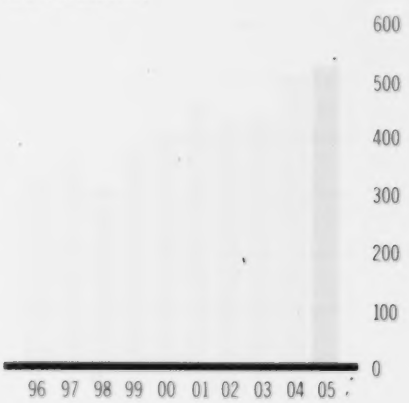
NEW RETIREE PROFILE

	2005					
	MALE	**FEMALE**	**COMBINED**			
Average Age	**57.74**	**57.65**	**57.7**	57.53	57.47	57.5
Average Service	**30.60**	**26.53**	**28.2**	31.14	26.16	28.1
Average Monthly Pension	**$2,476**	**$2,070**	**$2,237**	$2,381	$2,022	$2,164

MANAGEMENT TEAM (L - R)
Brenda Venuto - *VP Benefits Administration & Member Services*; Ross Hadaller - *Chief Accountant*; Les Brown - *VP Information Services*; Jeff Norton - *President & CEO*; Kristi Baily - *Associate VP Communications*

TOTAL NUMBER OF NEW RETIREMENTS

AS OF DECEMBER 31



MEMBER TRENDS

Although a record number of retirements were processed in 2005, the levels have increased only slightly over 2004. With the general increase in interest rates, we believe that members are feeling more secure in their personal financial situation, and are acting on their retirement plans.

The demand for information such as pension estimates and service purchases has continued to increase as members approach retirement. In order to meet the growing demand for personal appointments, Member Service Specialists continued to be available to meet with members one scheduled Saturday each month from October to May (excluding December). Also, recognizing the restrictions of teachers' schedules and other unique circumstances, TRAF continued to accommodate special meeting requests for members.

MATERNITY LEAVE PURCHASES FOR RETIRED MEMBERS

In June 2004, an amendment to The Teachers' Pensions Act enabled members who retired prior to August 18, 2000 to apply to purchase their period of maternity leave as pensionable service. The deadline to apply for such purchases was December 31, 2005. Almost 100 retired members requested information regarding the cost to purchase their period of maternity leave. Of those eligible, 85% did proceed with the purchase.

DATA REVIEW FOR RETIRED MEMBERS

The review of the historical service and salary data for retired members was completed in 2005. Any pension amounts that were understated as a result of inaccurate data supplied to TRAF were adjusted to the proper amount both historically and going forward.

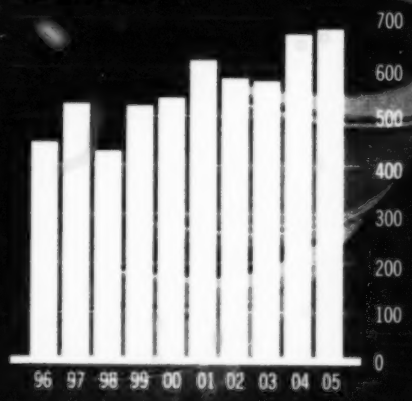
PENSIONS IN PAY

	2005	2004
Regular service pensions		
Male	4,085	3,875
Female	5,051	4,752
Beneficiaries of deceased retired members		
Male	68	54
Female	408	379
Pre-retirement death benefits	114	111
Other benefits including annuities	408	404
Total Recipients	10,134	9,575

TOTAL NUMBER OF NEW RETIREMENTS

(active and deferred members)

AS OF DECEMBER 31

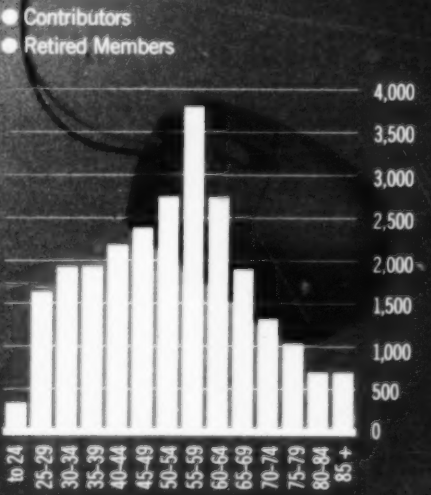


CONTRIBUTORS AND RETIRED MEMBERS

AS OF DECEMBER 31

AGE DISTRIBUTION

AS OF DECEMBER 31, 2005



Funding Status

• • • The funding status of a pension plan is an important measure of the plan's financial position and is determined through an actuarial valuation. A funding valuation, on a going concern basis, compares the value of assets to the cost of benefits payable to all plan members now and in the future. The actuary must make a number of assumptions when estimating the future value of assets and cost of benefits. Key among those assumptions is the rate of return on investments and the life expectancy of teachers. Over time, the cost of benefits must balance with contributions and investment returns.

ACTUARIAL VALUATION OF ACCOUNT A

Account A represents the pre-funded, teacher-financed portion of the Fund, and is responsible for the payment of roughly one-half of the basic pensions paid to retired teachers.

The Teachers' Pensions Act requires that an actuarial valuation be conducted at least once every three years. The most recent actuarial valuation of the assets and liabilities of Account A (excluding the Pension Adjustment Account which is valued separately) was completed as at January 1, 2004 by Aon Consulting Inc., the actuary for the Fund. The next full actuarial valuation will be performed as at January 1, 2007.

The January 1, 2004 valuation of Account A disclosed a deficit of $126.5 million, compared to a surplus of $102.9 million as at January 1, 2001. The most significant factor influencing the change in the funding status was poor investment performance in 2001 and 2002. The actuary also pointed out teacher contribution rates are lower than necessary to fund the promised benefits. In the opinion of management, the funding status of Account A has improved since January 2004 due to higher than anticipated investment returns in 2004 and 2005 and increased teacher contribution rates which were made effective on September 1, 2005.

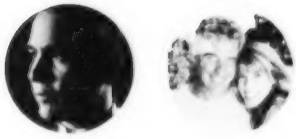
ACTUARIAL VALUATION OF ACCOUNT B

Account B represents the unfunded government-financed portion of the Fund and is responsible for the payment of roughly one-half of the basic pensions plus one-half of cost of living adjustments paid to retired teachers.

In conjunction with the valuation of Account A, the actuary assessed the Account B liabilities. Account B is financed by the province as benefit payments are made. The total liabilities of Account B, including pension adjustments granted to the valuation date for which the province is directly responsible, were determined to be $2,496.3 million as at January 1, 2004. This compares to total liabilities of $2,099.9 million as at January 1, 2001.

ACTUARIAL VALUATION OF THE PENSION ADJUSTMENT ACCOUNT (PAA)

The PAA was established by an amendment to The Teachers' Pensions Act in 1977 for the purpose of financing 50% of annual pension adjustments to be granted in recognition of increases in the cost of living after the pension commences. The province finances the remaining one-half of the cost of living increases granted on a pay-as-you-go basis.

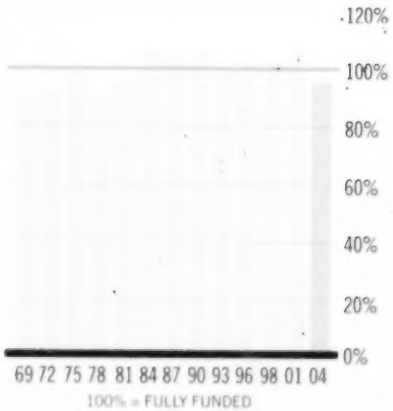


An actuarial valuation of the PAA is completed annually to determine what cost of living adjustment can be paid. Annual cost of living adjustments are the lesser of the prior year change (December over December) in the Consumer Price Index (CPI) for Canada and the amount that the PAA can support as determined by the plan's actuary.

The valuation on December 31, 2004 showed a surplus of $5 million prior to the granting of an increase for 2005. This enabled TRAF to grant a cost of living increase of 0.40% effective July 1, 2005, which was approximately 19% of the CPI (Canada) increase for 2004.

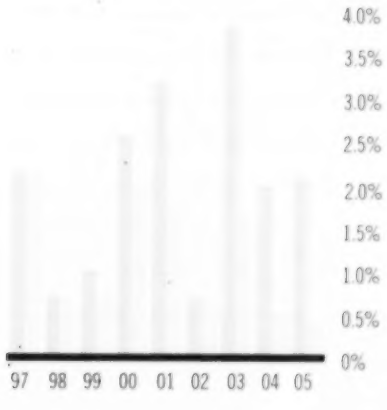
The PAA will likely not be able to pay full cost of living adjustments in the future unless changes are legislated. This issue has been under discussion between The Manitoba Teachers' Society and the province for several years.

HISTORY OF ACCOUNT A VALUATIONS



HISTORY OF COLAs

CPI – Canada Prior Year
COLA Granted



Investment Performance Overview

INVESTMENT OBJECTIVES

The objectives for TRAF's investment performance over the long-term are:

- to exceed the aggregate returns achieved by the Fund's indexed-based benchmark asset mix by 0.50%;
- to exceed the median fund performance results achieved in a universe of comparable balanced funds as calculated by an independent provider of performance measurement services; and
- to achieve a 4.25% rate of return above inflation.

We are pleased to report that TRAF has achieved each of these objectives over the past 10 years on an annualized basis.

ASSET ALLOCATION

A key step in achieving TRAF's investment objectives is to have investable assets properly allocated among the various asset classes. To this end, TRAF annually determines "benchmark" allocations, as well as an acceptable range around these targeted benchmarks to accommodate both transitional matters and normal market fluctuations.

TRAF's asset allocation parameters, together with the actual weightings as of December 31, 2005, are as follows:

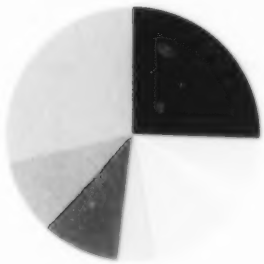
ASSET CLASS (%)	MINIMUM	MAXIMUM	DECEMBER 31, 2005 BENCHMARK ASSET MIX	DECEMBER 31, 2005 ACTUAL WEIGHTING	JANUARY 1, 2006 BENCHMARK ASSET MIX	BENCHMARK CHANGE FROM 2005
FIXED INCOME						
Cash & Short-Term	0	10	1	2.7	1	None
Bonds	15	42	29	25.4	26	-3% **
Public	15	30	22	23.3	22	
High Yield	0	6	4	2.1	4	
Private	0	6	3	0	0	
Mortgages	5	10	8	7.0	8	None
FIXED INCOME TOTAL	20	55*	38	35.1	35	
EQUITIES						
Canadian	25	60	30	28.8	28	-2%
US	6	15	9	9.9	10	+1%
Non-North American	6	15	9	9.5	10	+1%
Private	1	12	3	4.5	6	+3% **
Equity-Oriented	1	6	3	3.4	3	
Debt-Oriented	0	6	0	1.1	3	
EQUITIES TOTAL	38	73*	51	52.7	54	
REAL ESTATE						
Canadian	7	13	11	12.2	11*	None
REAL ESTATE TOTAL	7	13	11	12.2	11	
TOTAL PORTFOLIO			100	100.0	100	

*. Maximum allocations are constrained by the minimums of other asset classes.

**. For 2006, the private bond allocation was reclassified as "Private Equity – Debt-Oriented" and moved to the Private Equity portion of TRAF's asset allocation.

INVESTED ASSETS

AS OF DECEMBER 31, 2005



INVESTMENT MANAGERS

TRAF engages various investment managers to select the individual stocks, bonds and other securities for each asset class. The table below summarizes our primary managers by asset class:

MANAGER	MANDATE(S)
FIXED INCOME	
Greystone Managed Investments	Cash & Short-Term
	Public Bonds
	Mortgages
Marret Asset Management	High Yield Bonds
EQUITIES (OTHER THAN PRIVATE EQUITY)	
Greystone Managed Investments	Canadian
	US
Enhanced Investment Technologies	US
Goldman Sachs Asset Management	US
	Non-North American
Franklin Templeton Investments	Non-North American
Hansberger Global Investors	Non-North American
PRIVATE EQUITY	
CFI Capital	Debt-Oriented
Macquarie Canadian Infrastructure Management	Debt-Oriented
Frontier Capital Partners	Debt-Oriented
TD Capital Mezzanine Partners	Debt-Oriented
Torquest Partners	Equity-Oriented
Imperial Capital Management	Equity-Oriented
CAI Capital Partners	Equity-Oriented
Richardson Partners	Equity-Oriented
CentreStone Ventures	Equity-Oriented
TD Capital Private Equity Investors	Equity-Oriented
Adams Street Partners	Equity-Oriented
Paul Capital	Equity-Oriented
REAL ESTATE	
Greystone Managed Investments	Canadian

PERFORMANCE RESULTS

When assessing our results, the performance of each of TRAF's asset classes is compared to the composite benchmark index that has been selected by the Investment Committee and approved by the Board.

The current benchmark indices are displayed in the following chart.

ASSET CLASS	BENCHMARK
FIXED INCOME	
Cash & Short-Term	91 Day T-bill
Bonds	
Public	Scotia Capital Markets Universe Bond Index (SC Universe)
High Yield	Scotia Capital Markets High Yield Index
Mortgages	Scotia Capital Markets Conventional Index (SC Mortgage)
EQUITIES	
Canadian	S&P/TSX 10% Capped Index
US	S&P 500 Index
Non-North American	Morgan Stanley Capital International EAFE Index (MSCI EAFE)
Private	
Debt-Oriented	SC Universe Bond Index plus 3% per annum
Equity-Oriented	S&P/TSX 10% Capped Index plus 5% per annum
REAL ESTATE	
Canadian	IPD All Property Index

This quantitative analysis, together with other subjective criteria, assists in the review of each investment manager engaged by TRAF. We also measure our overall portfolio performance against a weighted average of the benchmark allocations dictated by TRAF's benchmark allocations.

This table shows the returns for each of TRAF's individual asset classes, the total portfolio return and the corresponding benchmark returns for the one-year, five-year and ten-year periods ending December 31, 2005.

ANNUALIZED INVESTMENT PERFORMANCE SUMMARY

PERIODS ENDING DECEMBER 31, 2005

Returns %	1-Year	5-Year	10-Year
TRAF Total Fund	14.8	7.8	9.4
TRAF Benchmark	13.3	6.0	8.8
Cash & Short-Term	2.7	3.1	4.0
91 Day T-Bill	2.6	3.0	3.8
Bonds	7.0	7.8	7.7
Bond Benchmark**	6.5	7.4	7.7
Mortgages	6.0	8.0	7.8
SC Mortgage	4.6	7.1	7.2
Canadian Equity***	27.2	11.6	14.6
Canadian Equity Benchmark**	24.1	7.1	12.1
US Equity	4.7	-1.4	n/a
S&P 500 Index	1.6	-4.4	7.4
Non-North American Equity	11.0	-0.3	6.5
MSCI EAFE	10.0	-0.6	4.2
Real Estate	19.6	13.2	13.1
IPD All Property Index	15.9	11.0	11.9

* Information compiled by Towers Perrin, an independent provider of performance measurement services.

** Blended benchmark based on benchmark asset weightings of each component.

*** For the purposes of determining annualized investment performance, private equity investments are included in Canadian Equity.

In 2005, each asset class produced excess return, resulting in a total return of 14.8% as compared to the benchmark of 13.3%. This result puts TRAF in the first quartile on a comparative basis. On a ten-year basis, the annualized return is 9.4%, which is 0.60% over the benchmark. This places TRAF's performance in the second quartile over this period.

As a result of our ongoing monitoring and assessment process, as well as the removal of the federal limits on foreign holdings, certain asset allocation changes occurred at the end of 2005.

Specifically, we have reduced benchmark weighting of Canadian equities from 30% to 28%. The amount of this reduction has been allocated equally to our US and Non-North American holdings, which each now have a 10% weighting. Although TRAF allocated additional funds to these mandates, we did not add additional managers. The additional funds were allocated to two of our existing managers, namely Enhanced Investment Technologies and Franklin Templeton Investments.

SUMMARY

We are pleased with the current structure of our investment portfolio and the returns that were achieved in 2005. However, our time horizon is decades, not a single year. As such, we will continue, as always, to assess and adjust the portfolio in an effort to maximize returns and minimize risk over the long-term. This may entail the addition of other asset classes or management styles as well as the re-balancing of our assets among existing asset classes and managers. As in the past, any such decisions will only be made following careful consideration of the proposal by the Investment Committee and ultimate approval of the Board.

Summary of Portfolio Holdings

SUMMARY OF FIXED INCOME HOLDINGS

AS OF DECEMBER 31, 2005

CASH & SHORT-TERM

Type	%
Treasury Bills	53
Bankers Acceptances	26
Commercial Paper	21
	100

PUBLIC BONDS

Diversification	%
Canadian	55
Provincial	27
Corporate	18
	100

HIGH YIELD BONDS

Sector	%
Energy	16
Industrials	50
Financial Services	2
Telecommunications Services	27
Other	5
	100

MORTGAGES

Property Type	%
Industrial	24
Office	32
Residential	25
Retail	19
	100

Property Location	%
Ontario	38
Alberta	29
Manitoba	19
British Columbia	14
	100

SUMMARY OF REAL ESTATE HOLDINGS

AS OF DECEMBER 31, 2005

REAL ESTATE

Property Type	%
Industrial	38
Office	30
Residential	0
Retail	32
	100

Property Location	%
Ontario	43
Alberta	27
British Columbia	20
Manitoba	5
Quebec	3
Saskatchewan	2
	100

SUMMARY OF PUBLIC EQUITY HOLDINGS

AS OF DECEMBER 31, 2005

CANADIAN EQUITIES

GREYSTONE MANAGED INVESTMENTS

Top Ten Holdings	Fair Value ($ Thousands)	%
Bank of Nova Scotia	44,990	5.9
Royal Bank of Canada	44,965	5.9
Manulife Financial Corp.	38,134	5.0
Encana Corp.	36,489	4.7
Canadian National Railway Co.	32,967	4.3
Telus Corp.	30,107	3.9
Talisman Energy Inc.	29,877	3.9
Power Corp. of Canada	28,127	3.7
Canadian Imperial Bank of Commerce	27,324	3.6
Suncor Energy Inc.	26,683	3.5

Sector	%
Energy	27
Materials	11
Industrials	9
Consumer Discretionary	3
Consumer Staples	6
Health Care	0
Financial Services	32
Information Technology	5
Telecommunications Services	6
Utilities	1
	100

U.S EQUITIES

GREYSTONE MANAGED INVESTMENTS

Top Ten Holdings	Fair Value ($ Thousands)	%
United Health Care Inc.	3,794	4.4
Microsoft Corp.	3,205	3.7
Amgen Inc.	3,162	3.7
Bank of America Corp.	3,060	3.6
Procter & Gamble Co.	2,972	3.5
General Electric Co.	2,782	3.2
Franklin Resources Inc.	2,729	3.2
Exxon Mobil Corp.	2,699	3.1
Nabors Industries Ltd.	2,549	3.0
Qualcomm Inc.	2,472	2.9

Sector	%
Energy	14
Materials	5
Industrials	15
Consumer Discretionary	12
Consumer Staples	7
Health Care	14
Financial Services	15
Information Technology	14
Telecommunications Services	0
Utilities	4
	100

GOLDMAN SACHS ASSET MANAGEMENT

Top Ten Holdings	Fair Value ($ Thousands)	%
W.W. Grainger Inc.	2,119	2.4
Biomet Inc.	2,045	2.3
Harman International Industries Inc.	1,964	2.3
Flir Systems Inc.	1,890	2.2
Amphenol Corp.	1,873	2.2
Univision Communications Inc.	1,868	2.1
Zebra Technologies Corp.	1,842	2.1
Gentex Corp.	1,841	2.1
Rockwell Automation Inc.	1,825	2.1
Linear Technology Corp.	1,822	2.1

Sector	%
Energy	6
Materials	0
Industrials	13
Consumer Discretionary	26
Consumer Staples	1
Health Care	16
Financial Services	1
Information Technology	34
Telecommunications Services	3
Utilities	0
	100

ENHANCED INVESTMENT TECHNOLOGIES

Top Ten Holdings	Fair Value ($ Thousands)	%
Exxon Mobil Corp.	4,075	4.5
Pfizer Inc.	3,435	3.8
General Electric Co.	3,206	3.5
Bank of America Corp.	2,361	2.6
Citigroup Inc.	2,336	2.6
AT & T Inc.	1,449	1.6
Chevron Corporation	1,426	1.6
Verizon Communications	1,295	1.4
JPMorgan Chase & Co.	1,154	1.3
Loews Corp.	1,097	1.2

Sector	%
Energy	13
Materials	4
Industrials	8
Consumer Discretionary	9
Consumer Staples	7
Health Care	13
Financial Services	28
Information Technology	3
Telecommunications Services	6
Utilities	9
	100

SUMMARY OF PUBLIC EQUITY HOLDINGS

AS OF DECEMBER 31, 2005

NON-NORTH AMERICAN EQUITIES

FRANKLIN TEMPLETON INVESTMENTS

Top Ten Holdings	Fair Value ($ Thousands)	%
ING Groep NV	1,684	2.0
BAE Systems PLC	1,653	2.0
Kookmin Bank	1,640	1.9
Accor SA	1,427	1.7
Royal Bank of Scotland Group PLC	1,417	1.7
AXA SA	1,401	1.6
Banco Santander Central Hispano SA	1,388	1.6
Telefonos de Mexico SA (Telmex)	1,333	1.6
Deutsche Post AG	1,322	1.6
Glaxosmithkline PLC	1,322	1.6

Region	%
Europe (except U.K.)	47
U.K.	25
Pacific (except Japan)	6
Japan	13
Emerging Markets	9
	100

Sector	%
Energy	5
Materials	8
Industrials	15
Consumer Discretionary	15
Consumer Staples	4
Health Care	7
Financial Services	22
Information Technology	7
Telecommunications Services	12
Utilities	5
	100

HANSBERGER GLOBAL INVESTORS*

Top Ten Holdings	Fair Value ($ Thousands)	%
UniCredito Italiano S.P.A.	2,296	2.7
Sumitomo Mitsui Financial Group	2,143	2.5
Denso Corporation	2,123	2.5
Allianz Ag-Reg	2,080	2.5
British Sky Broadcasting Plc	2,016	2.4
Nidec Corp.	2,010	2.4
Orix Corporation	1,994	2.4
Total S.A.	1,966	2.3
Banco Bilbao Vizcaya Argentaria SA	1,956	2.3
SMC Corp.	1,932	2.3

Region	%
Europe (except U.K.)	37
U.K.	24
Pacific (except Japan)	10
Japan	21
Emerging Markets	8
	100

Sector	%
Energy	8
Materials	5
Industrials	11
Consumer Discretionary	13
Consumer Staples	7
Health Care	10
Financial Services	26
Information Technology	13
Telecommunications Services	6
Utilities	1
	100

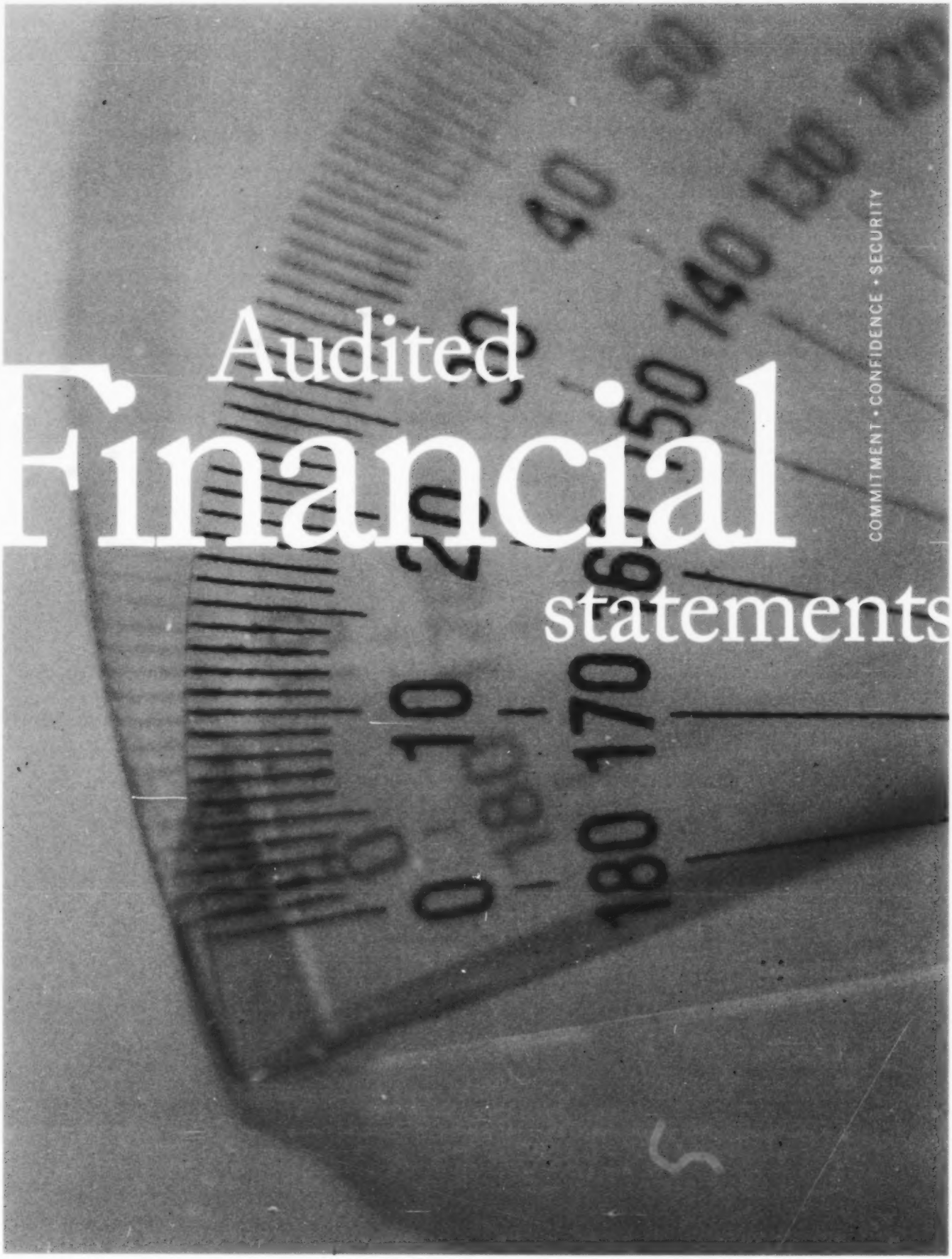
GOLDMAN SACHS ASSET MANAGEMENT*

Top Ten Holdings	Fair Value ($ Thousands)	%
Royal Dutch Shell	2,624	3.1
Fortis Group	2,481	3.0
BASF AG	2,181	2.6
Norsk Hydro	2,164	2.6
BNP Paribas	1,966	2.3
Astrazeneca Ord.	1,903	2.3
Honda Motor Co. Ltd.	1,888	2.2
HBOS Plc.	1,842	2.2
Bouygues S.A.	1,622	1.9
Orkla Asa.	1,544	1.8

Region	%
Europe (except U.K.)	45
U.K.	22
Pacific (except Japan)	5
Japan	28
Emerging Markets	0
	100

Sector	%
Energy	11
Materials	9
Industrials	10
Consumer Discretionary	13
Consumer Staples	6
Health Care	7
Financial Services	26
Information Technology	7
Telecommunications Services	7
Utilities	4
	100

* TRAF holds its investments through a pooled investment vehicle.
The holdings listed reflect TRAF's economic exposure. TRAF does not have title to the individual securities.


Audited
Financial
statements
COMMITMENT • CONFIDENCE • SECURITY

Teachers' Retirement Allowances Fund

MANAGEMENT RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Teachers' Retirement Allowances Fund and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements include some amounts, such as the market value of investments, that are necessarily based on management's best estimates and judgement.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the Annual Report are consistent with the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains the internal control systems and practices necessary to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The firm of Aon Consulting Inc. has been appointed the independent consulting actuary to the Fund. The role of the actuary is to complete an actuarial valuation of the Fund in accordance with accepted actuarial practice; the results of the valuation are included in the consolidated financial statements.

Ultimate responsibility for the financial statements rests with the Board, which is assisted in its responsibilities by the staff and the Audit Committee. The Audit Committee is comprised of two Board members and one external member. The Audit Committee reviews the auditor's report and the financial statements and makes recommendations to the Board concerning approval.

The Fund's independent external auditor, the Auditor General of Manitoba is responsible for auditing the consolidated financial statements of the Fund and for issuing their report thereon. The Auditor General has full and unrestricted access to the Audit Committee.

Jeff Norton, LLM, CFA
PRESIDENT & CEO

Dewar McKinnon, CGA
VICE PRESIDENT, FINANCE & OPERATIONS

WINNIPEG, MANITOBA
FEBRUARY 20, 2006

Office of the Provincial Auditor

500-330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Members of the Teachers' Retirement Allowances Plan

I have audited the consolidated statement of net assets available for benefits of The Teachers' Retirement Allowances Fund as at December 31, 2005 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2005 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

WINNIPEG, MANITOBA
FEBRUARY 20, 2006

Jon W. Singleton, CA•CISA
AUDITOR GENERAL

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT DECEMBER 31, 2005

	2005	2004
ASSETS		
Investments, *Note 3*	$ 2,665,762	$ 2,325,794
Investment income receivable	9,399	8,525
Receivable for settlement of outstanding trades	–	3,413
Contributions and other receivables, *Note 4*	14,518	13,501
Cash	2,855	2,362
Computer and office equipment	213	162
Prepaid expense	7	7
TOTAL ASSETS	2,692,754	2,353,764
LIABILITIES		
Accrued liabilities	5,320	4,860
Payable for settlement of outstanding trades	2,556	–
Money Purchase Accounts, *Note 6*	936	844
Employer Trust Accounts, *Note 7*		
Manitoba Teachers' Society	5,479	4,987
Manitoba Association of School Trustees	313	258
Province of Manitoba Trust Account, *Note 8*	226,611	151,283
Provision for Fund's share of employees' pension benefits, *Note 9*	2,721	2,257
TOTAL LIABILITIES	243,936	164,489
NET ASSETS AVAILABLE FOR BENEFITS	$ 2,448,818	$ 2,189,275

On behalf of the Board

Pat Isaak

Pat Isaak
ACTING CHAIR

Raymond Desrochers

Ray Desrochers
BOARD MEMBER

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005			
	Basic Benefits	Pension Adjustments	**Total**	Total
INCREASE IN ASSETS				
Contributions, *Note 10*	$ 163,095	$ 8,872	**$ 171,967**	$ 160,779
Net investment income, *Note 11*	43,190	9,295	**52,485**	60,256
Current period change in fair value of investments, *Note 12*	265,369	–	**265,369**	174,565
TOTAL INCREASE IN ASSETS	471,654	18,167	**489,821**	395,600
DECREASE IN ASSETS				
Pensions paid	198,277	13,735	**212,012**	197,487
Refunds	5,595	–	**5,595**	7,607
Transfers under reciprocal agreements	8,668	–	**8,668**	7,462
Administrative expenses, *Note 15*	4,003	–	**4,003**	3,601
TOTAL DECREASE IN ASSETS	216,543	13,735	**230,278**	216,157
CHANGE IN NET ASSETS	255,111	4,432	**259,543**	179,443
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	2,051,331	137,944	**2,189,275**	2,009,832
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 2,306,442	$ 142,376	**$ 2,448,818**	$ 2,189,275

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

1. Description of Plan

The following description of The Teachers' Retirement Allowances Fund ("the Fund") plan is a summary only. For more complete information, reference should be made to The Teachers' Pensions Act ("the Act"), as amended.

(a) General

The Teachers' Retirement Allowances Fund Board ("the Board") was originally constituted under an Act passed at the 1925 session of the Manitoba Legislature. The Board currently operates under the authority of The Teachers' Pensions Act. The Board is charged with responsibility for administering the Act and functions as trustee of a fund maintained to provide defined benefit pensions to public school teachers in Manitoba.

The Act provides for distinct and separate accounts in the Fund, known respectively as Account A and Account B. In Account A, the Fund records the net assets arising from teacher contributions and all payments of pensions, allowances and expenses. Account A also receives a transfer from Account B as reimbursement for the Province of Manitoba's half of the pensions paid by the Fund. Account B records the receipt of the Province's payments for its share of pensions paid and certain other payments as described in the Act. Account B is reduced by transfers to Account A. The balance of Account B is reflected as a receivable on the consolidated statement of net assets available for benefits, *Note 4*.

The Fund maintains separate trust accounts for The Manitoba Teachers' Society (MTS) and the Manitoba Association of School Trustees (MAST). Qualifying employees of these organizations are considered to be teachers for purposes of participating in the Fund. Employer obligations for benefits, in respect of these individuals, are funded through these separate trust accounts.

The Fund holds monies in trust on behalf of the Province of Manitoba. The Province of Manitoba Trust Account is shown as a liability on the statement of net assets available for benefits, *Note 8*.

The Fund also keeps separate Money Purchase Accounts to hold other related funds on a trust basis, *Note 6*.

(b) Funding

The Act requires all Manitoba public school teachers to contribute to the Fund on a basis related to their salary. Through an amendment to the Act, effective September 1, 2005 contribution rates increased to 6.8% (from 5.7%) on pensionable earnings up to the Canada Pension Plan's yearly maximum pensionable earnings (YMPE) and to 8.4% (from 7.3%) on pensionable earnings in excess of the YMPE. In accordance with the Act, 83.4% (83.5% to August 31, 2005) of contributions are used to fund basic benefits and 16.6% (16.5% to August 31, 2005) of contributions are allocated to the Pension Adjustment Account for the purpose of indexing benefits.

In accordance with the Act, the Province of Manitoba contributes its share of pensions paid during the year and certain other statutory charges. The Province's liability for pension benefits, which is approximately $2.1 billion, is unfunded, *Note 17*.

(c) Retirement pensions

An unreduced pension is available at age 60, or as early as age 55 where combined age and service equals 80. Members are eligible to retire with a reduced pension at age 55 with 10 years of qualifying service, provided that two of the years are within a 10-year period ending after 1984. The reduction in pension is offset by a bridging benefit payable to the earlier of age 65 or death. All members must commence pension benefits no later than December 31 of the year age 69 is attained.

(d) Withdrawal refunds

Subject to lock-in provisions, refunds are available when an active member ceases employment.

(e) Death benefits

(i) Active members

Upon the death of an active member, a lump sum is payable to the estate or beneficiary based on pre-1985 contributions and interest and the commuted value of the post-1984 deferred pension. A spouse may elect to convert the lump sum benefit to a monthly annuity. Where the service is non-vested, the benefit payable is the contributions and interest accumulated in 1985 and later.

1. Description of Plan (cont'd)

(ii) Retired members

Upon the death of a retired member, pension benefits continue to be paid to a beneficiary where a survivor option has been selected. Where the contributions and interest accumulated at the pension effective date is greater than the pension paid out to the date of death, the excess is payable to the estate or beneficiary.

(f) Other provisions

(i) Buybacks

Purchase of past service and reinstatement of refunded service is allowed, pursuant to the terms and conditions contained in the Act.

(ii) Relationship break-up

Where a marriage or common-law relationship has broken up in 1984 or later, the spouse/partner is entitled to one-half the value of the pension earned during the period of relationship pursuant to the terms and conditions contained in the Act.

(iii) Teaching while receiving a pension

A member, who retires and returns to teach within 90 calendar days of retirement, is deemed not to have retired. The member must repay any pension benefits received and resume contributing to the Fund. A retired member can receive a pension while teaching, until the member reaches the 121st full day of service in one school year. A full day of service is considered anything over 50% time. When the 121st full day is reached, the member's pension is suspended and the member must resume contributing to the Fund.

(iv) Reciprocal transfer agreements

The Act provides for a transfer of pensionable service between participating pension plans in accordance with the terms of a reciprocal transfer agreement.

(g) Cost of living adjustments

Pensions are adjusted annually by the lesser of the change in the Canada Consumer Price Index or the amount actuarially available in the Pension Adjustment Account to fund one-half of the cost of living adjustment.

(h) Income taxes

The Teachers' Retirement Allowances Fund is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income taxes. The Fund's registration number is 0273698.

2. Significant Accounting Policies

(a) Basis of Presentation

The Fund's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

These financial statements consolidate the assets, liabilities, revenues and expenses of the Fund and of its wholly owned subsidiary, TRAF Realty Ltd. TRAF Realty Ltd. is incorporated under The Corporations Act of Manitoba and is primarily engaged in acquiring real estate property in Manitoba.

(b) Investments

Investments are stated at fair value on a trade date basis. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act.

Publicly traded investments are stated at year-end market prices as listed on the appropriate stock exchange, or as provided by the Fund's custodian from independent outside sources.

High yield debt, according to the characteristics of the specific debt instruments, is stated at market value based on bid prices, discounted cash flows or recorded at cost where no market value is available.

Mortgages are stated at fair value based on the present value of future cash flows.

Money market securities are stated at cost which approximates market.

Pooled equity funds are stated at values based on the quoted market price of the underlying investments.

Private investments, which consist of private equity, are stated at values determined by the external manager or are recorded at cost where no previous valuation has been prepared.

Real estate investments are stated at market values based on the most recently available external management valuations or appraisals of the underlying properties or are stated at cost where no previous valuation has been prepared.

(c) Use of estimates

In preparing these financial statements, management must make estimates and assumptions that primarily affect the reported values of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(d) Foreign currency translation

The market value of investments and cash balances denominated in foreign currencies are translated into Canadian dollars at the rates in effect at year end and the resulting change is included in the current period change in fair value of investments.

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Hedged foreign currency transactions are translated at rates of exchange established by the terms of the forward exchange contracts. The foreign exchange on revenue and expense transactions is included in investment income.

(e) Forward contracts

A forward contract is a contractual obligation to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. Forward contracts are valued at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date, *Note 5(c)*. Realized gains or losses on forward contracts are recognized with the current period change in fair value of investments.

(f) Provision for Fund's share of employees' pension benefits

Employees of the Fund are pensionable under The Civil Service Superannuation Act. The Fund accrues a liability for the employer share of the employees' pension benefits, including future cost of living adjustments, based on an actuarial report.

(g) Computer and office equipment

Computer and office equipment acquisitions are capitalized and amortized on a straight line basis over five years.

3. Investments at Fair Value

	2005	
Fixed Income		
Bonds and debentures	**$ 677,516**	$ 633,414
Mortgages	**186,639**	161,163
Money market securities	**70,892**	14,764
Equities		
Canadian	**768,301**	753,796
Non-North American	**253,692**	193,103
United States	**264,392**	232,994
Other	**118,609**	77,929
Real Estate	**325,721**	258,631
	$ 2,665,762	$ 2,325,794

4. Contributions and Other Receivables

	2005		
Account B	$ 10,778	$	10,650
Teacher contributions	3,733		2,849
Other receivables	7		2
	$ 14,518	$	13,501

5. Risk Management

The Fund follows a balanced fund asset mix strategy to earn the best possible investment return at an acceptable level of risk.

(a) Interest rate and market risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities.

The value of the Fund's investments is affected by changes in nominal short-term interest rates and their impact on equity markets. Assuming a parallel change in long and short-term yields, a 1% increase in interest rates would have the effect of decreasing the value of fixed income investments by approximately 6%.

Pension liabilities are exposed to the long-term expectation of real rate of return on the investments as well as expectations of inflation and salary escalation. Holding all other actuarial assumptions constant, a 1% decrease in the assumed long-term rate of return would result in an approximate 12% increase in the pension liabilities for basic benefits.

The value of certain investments is also affected by the existence of limited secondary markets.

To manage interest rate and market risks, the assets of the Fund are invested to ensure a prudent level of diversification by type of security, geographic location and by industry.

(b) Credit risk

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Fund.

The Fund limits credit risk by dealing with counterparties that are considered to be of high quality, by obtaining collateral where appropriate, through investment diversification and by setting and monitoring compliance with portfolio guidelines.

(c) Foreign currency risk

Foreign currency exposure results where investments are denominated in a foreign currency.

The Fund, through its investment managers, may employ hedging strategies to mitigate the foreign currency risk in the portfolio. At December 31, 2005 the Fund held $33,156,691 (2004 - $61,628,853) in forward contracts with an unrealized gain of $116,775 (2004 - $2,149,694).

6. Money Purchase Accounts

Separate Money Purchase Accounts have been established for persons transferring money to the Fund in accordance with the Act. These accounts are maintained separately from the Fund's other activities. The accounts earn the same rate of income as the total Fund. On the written direction of the individual, the accumulated amount of the individual's account is transferred out to a Locked In Retirement Account or into the Fund's Account A for initiation of a lifetime annuity.

	2005	
Balance at beginning of year	$ 844	$ 584
Transfers in	74	242
Investment income *Note 11*	118	79
Transfers out	(100)	(61)
Balance at end of year	$ 936	$ 844

The Fund maintains separate trust accounts for the employer obligation for pension benefits in respect of MTS and MAST employees who are members of the Fund. The trust accounts receive the employer contributions and investment income and are charged with the employer share of pensions paid.

(a) Manitoba Teachers' Society Trust Account

	2005	
Balance at beginning of year	$ 4,987	$ 4,681
Contributions	28	–
Investment income	763	544
Pension payments	(299)	(238)
Balance at end of year	$ 5,479	$ 4,987

(b) Manitoba Association of School Trustees Trust Account

	2005	
Balance at beginning of year	$ 258	$ 247
Contributions	51	17
Investment income	37	29
Pension payments	(33)	(35)
Balance at end of year	$ 313	$ 258

The Province of Manitoba ("the Province"), in accordance with The Balanced Budget, Debt Repayment and Taxpayer Accountability Act, established a fund for the purpose of accumulating funds for the eventual retirement of the Province's unfunded pension obligation.

Under terms of a September 13, 2001 (as amended June 24, 2004) agreement between the Province and the Board, the Province established a trust account with the Board and is making the required payments to the trust account. These monies are not Fund assets and are accounted for separately by the Fund in the Province of Manitoba Trust Account. According to the terms of the agreement, the Trust Account earns the rate of return of the Fund and the Board is paid a fee for its investment management services. Fees earned by the Board are deducted from investment management expenses, *Note 11*.

The payments made by the Province to the Board do not reduce the accrued pension benefit obligations of the Fund.

	New Teacher Account	General Account	2005 Total	Total
Balance at beginning of year	$ 20,875	$ 130,408	**$ 151,283**	$ 134,727
Deposits	7,793	40,627	**48,420**	–
Investment income (Note 2)	3,885	23,419	**27,304**	16,891
Management fee	–	(396)	**(396)**	(335)
Balance at end of year	$ 32,553	$ 194,058	**$ 226,611**	$ 151,283

	2005	
Balance at beginning of year	**$ 2,257**	$ 2,131
Change in assumptions/experience	**252**	–
Adjusted balance at beginning of year	**2,509**	2,131
Benefits accrued	**124**	106
Interest accrued on benefits	**175**	155
Benefits paid	**(87)**	(135)
Balance at end of year	**$ 2,721**	$ 2,257

The valuation of the pension obligations as at December 31, 2004 was conducted by Ellement and Ellement Ltd., consulting actuaries. The key actuarial assumptions were a rate of return of 6.5% (2001 - 6.75%), a rate of inflation of 2.5% (2001 - 2.75%), general salary rate increases of 3.25% (2001 - 3.5%) and post-retirement indexing at two-thirds of the inflation rate. The accrued benefit cost method with salary projection was used. The pension obligation has been extrapolated to December 31, 2005 using a formula provided by the actuary.

	2005	
Teachers	**$ 57,904**	$ 52,436
Transfers from Account B		
Share of benefits charged	**111,600**	104,243
Other statutory charges	**1,642**	1,650
Transfers under reciprocal agreements	**489**	2,183
Transfers from MTS and MAST Trust Accounts	**332**	267
	$ 171,967	$ 160,779

	2005	
Fixed Income		
Bonds and debentures	**$ 31,709**	$ 34,208
Mortgages	**10,835**	10,446
Money market securities	**1,930**	572
Equities		
Canadian	**13,883**	13,226
Non-North American	**6,179**	5,598
United States	**4,137**	3,872
Other	**2,579**	1,852
Real Estate	**13,497**	11,642
Gross investment income	**84,749**	81,416
Less: Transfer to Money Purchase Accounts *Note 6*	**(118)**	(79)
Transfer to Employer Trust Accounts *Note 7*	**(800)**	(573)
Transfer to Province of Manitoba Trust Account *Note 8*	**(27,304)**	(16,891)
Net investment management expenses	**(4,042)**	(3,617)
Net investment income	**$ 52,485**	$ 60,256

	2005	
Net realized gain on the sale of investments	**$ 135,549**	$ 100,899
Net unrealized market gain	**129,820**	73,666
Current period change in fair value of investments	**$ 265,369**	$ 174,565

(a) Investments with the Province of Manitoba

			2005 TOTAL	
Balance at beginning of year	$ 8,665	$ –	**$ 8,665**	$ 11,256
Purchases	14,345	134,864	**149,209**	136,398
Sales	(5,171)	(134,864)	**(140,035)**	(139,001)
Current period change in fair value	71	–	**71**	12
Balance at end of year	$ 17,910	$ –	**$ 17,910**	$ 8,665
Interest income	$ 350	$ 220	**$ 570**	$ 486

(b) Investment management services

The Fund is a minority shareholder of Greystone Capital Management Inc., whose subsidiary Greystone Managed Investments Inc. provides investment management services to the Fund on a fee-for-service basis. The fees paid by the Fund to Greystone Managed Investments Inc. for the year were $3,906,837 (2004 - $3,250,465).

As at December 31, 2005, the Fund had outstanding investment commitments totalling $203.3 million (2004 - $223.3 million). This includes capital commitments for certain private investments which will be called over the next three to five years.

		2005		
Salaries and benefits	**$**	**2,712**	$	2,365
Office and administration		**513**		500
Actuarial fees		**164**		178
Custodial and banking		**288**		274
Communication and travel		**106**		110
Professional fees		**123**		68
Board expenses		**97**		106
Total	**$**	**4,003**	$	3,601

The Teachers' Pensions Act, subsection 45(4), requires an actuarial valuation of the Fund at least every three years. The most recent actuarial valuation of Account A and Account B (excluding the Pension Adjustment Account) was completed as at January 1, 2004 by Aon Consulting Inc., consulting actuaries. This is a funding valuation which projects the plan's future benefit costs and compares them to the Fund's assets plus future contributions. The previous valuation of Accounts A and B occurred as at January 1, 2001. The projected unit credit actuarial cost method was used for each valuation.

The assumptions used in determining the actuarial value of benefits accrued for service to date for Account A and Account B were developed by reference to expected long-term market conditions. The significant long-term actuarial assumptions used in the valuations were:

	JANUARY 1, 2004		JANUARY 1, 2001	
Annual rate of return				
(a) Inflation component		2.50%		3.00%
(b) Real rate of return		4.25%		4.00%
		6.75%		7.00%
Annual salary escalation rates				
(a) General increases:				
(i) inflation component		2.50%		3.00%
	to 2011	thereafter	to 2011	thereafter
(ii) productivity component	0.50%	0.75%	0.50%	0.75%

(b) The rates used for seniority, merit and promotional increases are related to the number of years of service and range from 0.50% to 5.75%. This is consistent with the rates used in the 2001 valuation.

The actuarial valuation of Account A (excluding the Pension Adjustment Account) as at January 1, 2004 disclosed actuarial assets of $2,332,292,000 and actuarial liabilities of $2,458,786,000 leaving a deficit of $126,494,000 (2001 - surplus $102,927,400). The actuarial assets include the present value of future service contributions and the actuarial liabilities include a liability for service expected to be rendered after the valuation date. The deficit means that Account A is not sufficiently funded to cover the cost of the promised future benefits. The change in the funded

position is primarily a result of investment income falling short of the assumption during the years 2001 to 2003. The next complete valuation of the Fund will occur as at January 1, 2007.

The actuarial present value of the Province's accrued pension benefits liability (Account B), including previously granted cost of living adjustments, was calculated at $1,846,839,000 for service to January 1, 2004 (2001 - $1,631,073,300).

The Pension Adjustment Account is actuarially valued each year to determine the amount available to fund one-half of any cost of living increase. The December 31, 2004 actuarial report, prepared by Aon Consulting Inc., disclosed a surplus of $5,000,000 (2003 - $5,870,000). Effective July 1, 2005, the Board approved the payment of a 0.4% pension adjustment.

The actuarial assumption used in the December 31, 2004 actuarial report for the rate of interest expected to be earned on the Pension Adjustment Account was 4.75% (2003 - 5.50%). The rate of interest used to determine the liability for the cost of living benefits of Account B was 6.75% (2001 - 7.00%).

17. Accrued Pension Benefits

(a) Basic benefits

The present value of accrued pension benefits, for Accounts A and B (excluding Pension adjustments which are shown in (b) below), for service to January 1, 2004, was determined from the actuarial valuation referred to in *Note 16*. The liability for service expected to be rendered after the valuation date is excluded. The present value of accrued pension benefits has been extrapolated from January 1, 2004 to December 31, 2005, using a formula developed by the actuary.

Note to reader: The following tables for accrued pension benefits are presented in millions of dollars.

			2005 TOTAL	
Estimated actuarial present value of accrued pension benefits for service to beginning of year	$ 1,964	$ 1,935	**$ 3,899**	$ 3,649
Change in assumptions/experience	–	–	**–**	70
Adjusted beginning of year	1,964	1,935	**3,899**	3,719
Interest accrued on benefits	131	129	**260**	249
Benefits accrued	60	58	**118**	116
Benefits paid	(100)	(98)	**(198)**	(185)
Net increase in accrued pension benefits	91	89	**180**	180
Estimated actuarial present value of accrued pension benefits for service to end of year	$ 2,055	$ 2,024	**$ 4,079**	$ 3,899

The estimated actuarial present value of accrued pension benefits in Account A is the Fund's obligation, while Account B represents the Province's obligation. The Account B liability for basic benefits is unfunded.

(b) Pension adjustments (cost of living)

The present value of accrued pension adjustments has been extrapolated from the actuarial report referred to in *Note 16* to December 31, 2005, using a formula developed by the actuary.

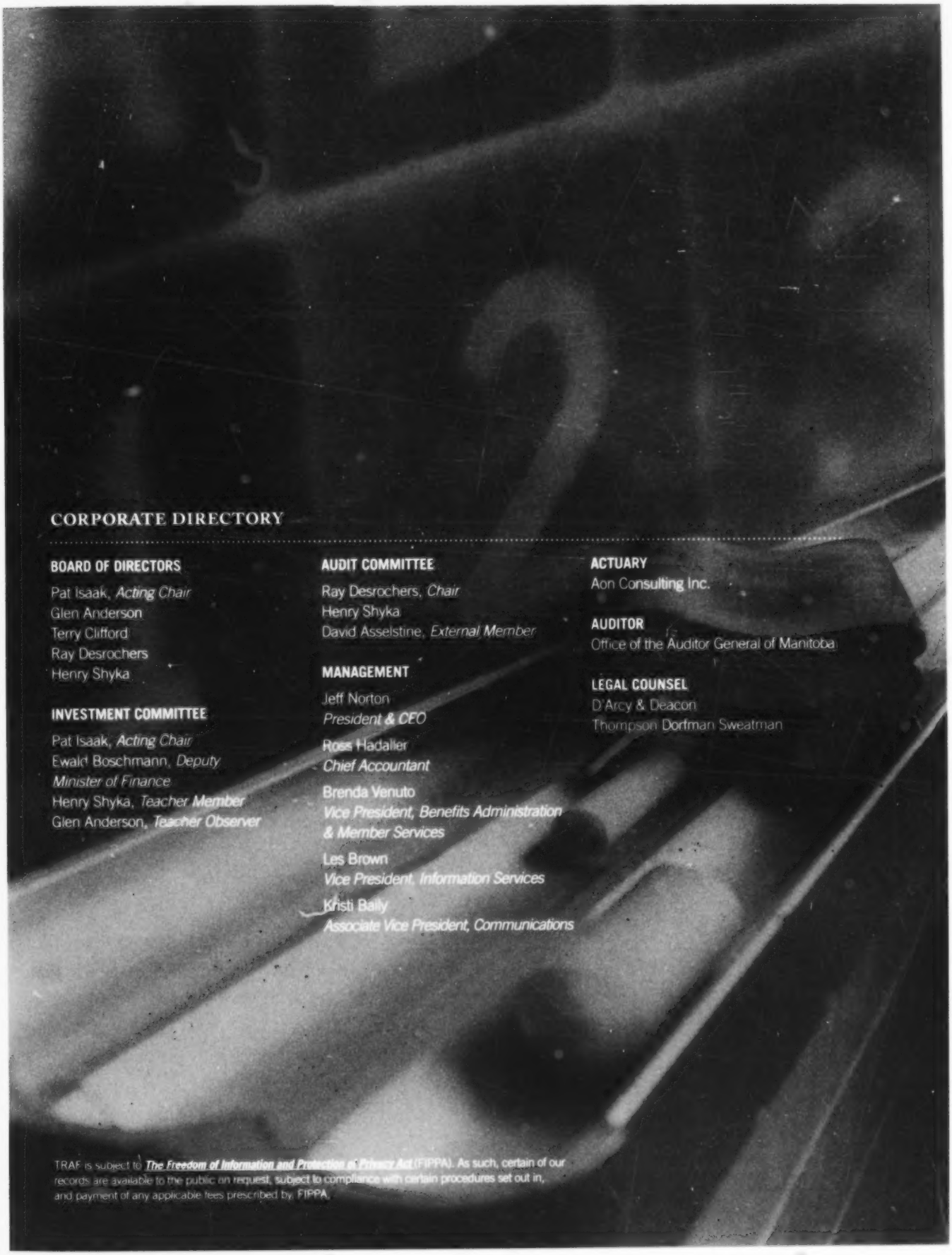
17. Accrued Pension Benefits (cont'd)

			2005 TOTAL	
Estimated actuarial present value of accrued pension adjustments at beginning of year	$ 127	$ 115	**$ 242**	$ 241
Change in assumptions/experience	6	–	**6**	2
Adjusted beginning of year	133	115	**248**	243
Interest accrued	6	8	**14**	14
Pension adjustments accrued	5	6	**11**	13
Pension adjustments paid	(14)	(14)	**(28)**	(28)
Net change in accrued pension adjustments	(3)	–	**(3)**	(1)
Estimated actuarial present value of accrued pension adjustments at end of year	$ 130	$ 115	**$ 245**	$ 242

The estimated actuarial present value of accrued pension adjustments in Account A is the Fund's obligation, while Account B represents the Province's obligation. The Account B liability for accrued pension adjustments is unfunded.

18. Comparative Figures

Comparative figures have been reclassified, where necessary, to conform to the 2005 presentation.



CORPORATE DIRECTORY

BOARD OF DIRECTORS

Pat Isaak, *Acting Chair*
Glen Anderson
Terry Clifford
Ray Desrochers
Henry Shyka

INVESTMENT COMMITTEE

Pat Isaak, *Acting Chair*
Ewald Boschmann, *Deputy Minister of Finance*
Henry Shyka, *Teacher Member*
Glen Anderson, *Teacher Observer*

AUDIT COMMITTEE

Ray Desrochers, *Chair*
Henry Shyka
David Asselstine, *External Member*

MANAGEMENT

Jeff Norton
President & CEO

Ross Hadaller
Chief Accountant

Brenda Venuto
Vice President, Benefits Administration & Member Services

Les Brown
Vice President, Information Services

Kristi Baily
Associate Vice President, Communications

ACTUARY

Aon Consulting Inc.

AUDITOR

Office of the Auditor General of Manitoba

LEGAL COUNSEL

D'Arcy & Deacon
Thompson Dorfman Sweatman

TRAF is subject to ***The Freedom of Information and Protection of Privacy Act*** (FIPPA). As such, certain of our records are available to the public on request, subject to compliance with certain procedures set out in, and payment of any applicable fees prescribed by, FIPPA.

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